

## Message Text

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12

ACTION EA-09

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R 040540Z NOV 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 3861

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

UNCLAS SINGAPORE 4732

E.O. 11652: N/A

TAGS: EAIR, ECIN, EGEN, ETRD, PFOR, SN, ASEAN

SUBJECT: LEE KUAN YEW ON ASEAN

SUMMARY. IN WIDE-RANGING COMMENTS ON OCTOBER 25 IN RESPONSE TO QUESTIONS FROM FINANCIAL EDITORS AND WRITERS FROM SEVEN EUROPEAN COUNTRIES, PRIME MINISTER LEE KUAN YEW PROVIDED HIS CONCEPT AS TO THE DEVELOPMENT OF ASEAN, INCLUDING SINGAPORE'S ROLE IN IT. HE ALSO COMMENTED ON AN ASEAN DEFENSE PACT, GOS INTEREST IN THE CONCORDE AIRCRAFT, THE HAW PAR AFFAIR AND THE VALUE OF THE COMMONWEALTH. THE FOLLOWING IS BASED ON EXCERPTS OF LEE'S REMARKS APPEARING IN THE STRAITS TIMES OF OCTOBER 30. END SUMMARY.

1. LEE HYPOTHESIZED TWO PRINCIPAL OPTIONS FOR THE REGION. ONE IS THE ESTABLISHMENT OF INDEPENDENT NATION STATES " VERY MUCH LIKE THE CARIBBEAN AND THE LATIN AMERICAN COUNTRIES IN THEIR RELATIONSHIP WITH THE U.S.." A SIMILAR RELATIONSHIP BETWEEN THE PRC AND  
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ASEAN NATIONS WOULD PERMIT THE LATTER " TO PLUG INTO

NORTH AMERICA, JAPAN OR WESTERN EUROPE OR CHINA OR THE SOVIET UNION AS WE WISH, WHICHEVER PARTNER WE FIND TO THE ONE MOST LIKELY TO ASSURE US OF PROGRESS." THE ALTERNATIVE, ACCORDING TO LEE, IS A TIGHT AND FORMALIZED" RELATIONSHIP SIMILAR TO THAT BETWEEN THE SOVIET UNION AND ITS CEMA PARTNERS. EXPRESSING A PREFERENCE FOR THE FORMER ARRANGEMENT, LEE BELIEVES IT IS IMPORTANT TO DEVISE APPROPRIATE POLICIES AND "TO GO FORWARD, PREFERABLY EXPEDITIOUSLY."

2. LEE CALLED FOR TARIFF LIBERALIZATION, ALONG WITH INCREASED TRADE AND INVESTMENTS BETWEEN ASEAN COUNTRIES AND BETWEEN THE LATTER AND THE DEVELOPED WEST. IN RESPONSE TO OTHER QUESTIONS, LEE SAID HE WOULD WELCOME MORE INVESTMENTS FROM EC COUNTRIES AND MORE TRADE WITH THAT REGIONAL GROUPING. THIS WAS DESIRABLE, HE ASSERTED, "BECAUSE WE ALREADY HAVE A PREPONDERANCE OF AMERICAN AND JAPANESE WEIGHT HERE." HE INDICATED THAT EUROPEAN INVESTMENT WOULD BE ADMINISTRATIVELY FACILITATED: BUT HE DECLINED TO ACCORD POTENTIAL EUROPEAN INVSTORS PREFERENTIAL TREATMENT, SINCE IN AN "INTERLOCKED, INTERDEPENDENT WORLD A LOWERING OF TRADE BARRIERS, WHETHER TARIFF OR NON-TARIFF, MUST BE ACHIEVED."

3. LEE SEES SINGAPORE ACTING AS A CATALYST FOR MORE RAPID GROWTH WITHIN ASEAN. HE ATTRIBUTED THIS POSSIBILITY TO A DECLINE IN SINGAPORE'S ROLE AS A MIDDLE MAN IN PURELY COMMERCIAL TRANSACTIONS AND BECAUSE IT PROVIDES THE INFRASTRUCTURE TO ENABLE DEVELOPMENT TO TAKE PLACE IN THE REGION. LEE ALSO ENVISAGES A SLOW PROCESS OF ECONOMIC INTEGRATION, A PROCESS WHICH COULD RESULT, WITHIN SEVEN TO TEN YEARS, IN A FREE TRADE ZONE. HOWEVER, HE RULED OUT AS UNATTAINABLE MORE FAR-REACHING ECONOMIC INTEGRATION IN VIEW OF THE DISPARATE LEVELS OF DEVELOPMENT IN ASEAN COUNTRIES.

4. AFTER AN INITIAL PHASE, LEE FORESEES THE POSSIBILITY OF ATTEMPTING A COMMON MARKET FOR SPECIFIC INDUSTRIAL SECTORS, ALONG THE LINES OF LAFTA, "WHERE PARTS OF THE WHOLE COMPLEX ARE DISTRIBUTED AMONG MEMBER STATES." IN THE LONG RUN- 15 TO 25 YEARS - "WE WILL BE ABLE TO HAVE A MUCH MORE INTEGRATED ECONOMIC RELATIONSHIP."

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5. LEE ALSO COMMENTED ON FOLLOWING SUBJECTS:

(A) ASEAN DEFENSE PACT. LEE IS NEGATIVE ON SUCH A SCHEME. AFTER VIETNAM AN UNDERSTANDING BY ASEAN COUNTRIES OF EACH OTHER'S DIFFICULTIES IS NECESSARY SO THAT "WE CAN REESTABLISH UNDER NEW CIRCUMSTANCES A CLIMATE OF STABILITY AND CONFIDENCE." AS CONFIDENCE AND STABILITY INCREASE, AS TRADE IS EXPANDED AND AS

JOBS ARE CREATED, INSURGENCIES WILL WITHER BECAUSE  
POTENTIAL RECRUITS ARE GAINFULLY EMPLOYED.

(B) SINGAPORE INTEREST IN THE CONCORDE. LEE INDICATED  
THAT SINGAPORE WOULD BE RELUCTANT TO MAKE SUCH AN INVESTMENT  
IN AN AIRCRAFT UNTIL CONCORDE HAS PROVED THAT IT IS A  
"RELATIVELY SOUND PROFIT-MAKING PROPOSITION."

(C) HAW PAR. INVESTIGATIONS OF THE AFFAIRS OF HAW PAR  
AND SLATER WALKER ARE CONTINUING AND "WILL BE SORTED  
OUT... EVEN THOUGH MR SLATER HAS RETIRED." IN A MORE GENERAL  
VEIN, LEE STATED THAT SINGAPORE'S COMPANIES ACT AND PENAL  
CODE APPLY TO ALL COMPANIES OPERATING IN SINGAPORE.  
WHILE FIRMS CAN EXPECT TO DERIVE ADVANTAGES FROM THEIR  
LOCAL OPERATIONS, THEY SHOULD NOT BREECH LOCAL REGULATIONS  
AND LAWS.

(D) COMMONWEALTH. ORGANIZATION NO LONGER EXISTS AS  
AN ECONOMIC CLUB. BUT IT IS VALUABLE AS A POLITICAL  
CLEARING HOUSE WHERE DEVELOPED AND DEVELOPING COUNTRIES FROM ALL  
PARTS OF THE WORLD, EMPLOYING A COMMON LANGUAGE, CAN DISCUSS  
THEIR PROBLEMS. DELIBERATIONS CAN SUPPLEMENT AND EVEN  
INFLUENCE "THE BIGGER DELIBERATIONS WHICH THEN TAKE PLACE IN  
PARIS OR WASHINGTON WHERE THE DEVELOPED INDUSTRIAL NATIONS  
(SIC) ARE SUPPOSED TO DISCUSS" ENERGY, RAW MATERIALS,  
DEVELOPMENT AND RELATED FINANCIAL AFFAIRS.  
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